

CHAPTER 6

TRANSPORTATION

A. GENERAL

1. This chapter prescribes transportation procedures and assigns associated responsibilities to **DFSC**, Defense Fuel Regions, Military Services, Military **Traffic** Management Command (**MTMC**), and the Military **Sealift** Command (**MSC**).

2. DFSC/DFRs shall:

a. Provide bulk petroleum transportation services through arrangements with **MTMC**, **MSC**, and commercial earners.

b. Exercise technical direction and assistance in **traffic** management to ensure safe and efficient distribution of bulk **fuel**.

3. Resupply procedures by **ocean** tankers, scheduling, etc. are discussed in chapter 4 of this volume. Procedures for resolving product losses and quantity discrepancies in transit are discussed in chapters 5 and 9 of this volume.

4. Functions delegated to **DFSC** by **MTMC** in **CONUS** areas follows:

a. Determining the most efficient method of transportation.

b. Distribution of **traffic** among various competing carriers.

c. Authority to suspend carriers for **unsatisfactory** service.

B. RATES AND ROUTES (CONUS)

1. Rates and Routes. Rates and routes used in transporting bulk petroleum products, except for **ocean** tankers, will be obtained from Military **Traffic Management** Command-Eastern Area (**MTMCEA**) IAW **DLAR 4500.3/AR 55-355/NAVSUPINST 4600.70/AFR 75-2/MCO P4600. 14B**, Defense Traffic Management Regulation.

2. Rate Tenders. Rate tenders offered by carriers to DoD units will be mailed to the Military **Traffic**

Management Command Eastern Area (**MTMCEA**) for action IAW the Defense **Traffic** Management Regulation indicated above. If carrier business, type, style, circumstances, etc. indicate need for negotiation, requirements for such negotiation will be referred to **MTMCEA** with all relative data in support of the action.

3. Routing Data

a. **MTMCEA** will provide **DFRs** routing data for shipment of bulk petroleum products as standing route orders or domestic route orders. In developing routing data, **DFRs** shall take into account **DFSPs** receiving capabilities and constraints to avert detention or demurrage charges. The **DFRs** shall evaluate **delivery** patterns to determine prospective candidates for guaranteed **traffic**. If the **DFR** determines the routing would benefit from guaranteed **traffic**, nominations will be **forwarded** to **MTMC** (**MT-OPT**) for solicitation. **MTMC** shall **evaluate** respondents to the solicitation from the carrier industry. **Successful** bidders **shall** be required to perform in accordance with the conditions set forth in the solicitation.

b. **DFSC** shall coordinate the possibility of adjusting or increasing receiving capabilities with the Military Services to lower overall **costs**; and will provide an economic analysis if feasible.

c. **MTMCEA** shall provide routes and rates between origin and destination for bulk shipments. **MTMC** area commands shall provide **DFRs** standing or domestic route orders for shipments of drummed **fuel**. **DFRs** shall provide routing instructions to shippers such as oil refineries, **GOGO/GOCO/COCO** **DFSPs** and **pipelines**, and shipments between base-level **DFSPs**. Shippers shall coordinate the transportation schedule (e.g., tank truck) for loading/shipping the fuel and shipping schedules with the receiving **DFSP**. Military activities will schedule delivery orders with the supplier IAW the **SIOATH** instructions issued by the **DFRs**.

d. **DFRs** shall issue routing instructions (**DFSC** Form 19. 16) to the shippers for each mode of transportation by grade of fuel. Routing instructions shall be IAW the route order issued by **MTMCEA** and shall also include the percentage of the volume to be moved by each carrier. **DFRs** shall retain one copy of **DFSC** Form

19.16 and distribute other copies (one each) as follows:

- (1) Carrier.
- (2) DFSC-OT.
- (3) MTMCEA/MTE-INF-S.
- (4) Shipping terminal.
- (5) Alternate **emergency** relocation DFR.
- (6) Home **office** of shipper if different than terminal.

e. When base-level DFSPS supply each other (as discussed in chapter 4, section H., of this volume), DFRs, in coordination with MTMCEA, shall provide the transportation **office** of shipping bases with routing instructions. Government Bills of Lading (GBLs) will be provided IAW section C., below. Shipping bases shall schedule transportation equipment for loading bulk **fuel**.

f. Requests for a specific mode of transportation and reporting conditions which will result in other than lowest overall costs are as follows:

(1) **Pre-Contract**. Transportation modes and limitations are reported in the Bulk Petroleum Receipt and Shipment Capability Report, RCS: DD-P&L(A)506. DFSP receiving capabilities and limitations are considered by DFSC during contract negotiations to ensure shipping modes are consistent with its receiving facility.

(2) **Post Contract**. Subsequent to contract awards, Military Services **shall** substantiate requests for restrictive modes of shipments if such requests exceed the lowest overall shipping costs. Military Services may be required to reimburse DFSC for increased transportation costs.

C. BILLS OF LADING (CONUS/Alaska)

1. SF 1103, Government Bill of Lading (GBL). GBLs are used to ship Government-owned product. DFRs shall provide GBLs to shippers (product **contractors/DFSPs**) in numbers appropriate to their workload. GBLs are printed with serial **numbers** assigned by General Services Administration (GSA) and are **controlled/accountable** documents. DFRs shall **furnish** shippers with GBL forms. The shipper **shall** prepare GBLs for free on board (FOB) origin shipments based on shipping and distribution instructions provided by **DFRs**. DFRs shall provide GBLs for military "base to base" shipments IAW chapter 4, section H., of this

volume.

2. Commercial Bill of Lading (CBL). When GBLs are not available and shipment is urgent, **DFRs** shall instruct the shipper to use a CBL and to annotate the CBL as follows: "To be converted to GBL by **DFR**- as instructed by authority of (name/title of the DFRs point of **contact/phone** number) per phone conversation (indicate date)."

3. Payment of GBLs. The following DoD agency pays transportation charges on DFSC issued **GBLs**; GBLs issued by DFSC will indicate this title/ address in the "charges to be billed to" block:

Director
DFAS Indianapolis Center
ATTN: DFAS-IN-T
Indianapolis, IN 46249-0611

4. Distribution of GBLs. Shippers distribute GBLs as follows:

a. Original plus one (1) copy (SF 1103 and SF 1104) to the carrier.

b. Three (3) copies (SF 1103-A) to the DFR issuing routing instructions, who in turn will:

(1) Issue one (1) copy to the appropriate MTMC Area Command.

(2) Retain two (2) copies in the DFRs tile.

c. One (1) copy (SF 1103-B) to the consignee:

(1) Rail/pipeline **shipments** - mailed on day of shipment.

(2) Truck/barge shipments - may **be** sent with truck driver or barge **master**; or by mail if requested by consignee.

d. Copy 7 retained by the shipper.

5. DFAMS. DFRs shall input P51 (GBL) transactions to the DFAMS central data bank.

D. DEMURRAGE/DETENTION

1. MSC Controlled Vessels (Worldwide). MSC operates and bills **cargo** sponsors *on the* basis of the **daily** per diem rates. Demurrage claims submitted by carriers providing services on a spot or short-term charter basis are processed and paid by MSC.

Sponsors (DFSC/others) may initiate claims against contractors and **non-DoD** agencies causing vessel loading/discharge delays in excess of allowed vessel laytime.

2. Tank Trucks, Tank Cars, Inland and Coastal Tankers/Barge (Worldwide). DFSC shall fund and pay **detention/demurrage** charges incurred by carriers in connection with loading/discharge operations at FOB origin contract sources and facilities storing DFSC-owned **fuel** (unless such detention/demurrage results from lack of timely attention or other reasons attributed to the Military Services). Claims will be forwarded by the carrier to the DFR responsible for the issue of the GBL/freight warrant for transportation of the corresponding **load/discharge**. The DFR shall review the **claim** for compliance with the carriage terms and prepare the appropriate certification that will allow the carrier to be paid for incurred detention/demurrage. The DFR shall advise DFSC-OT of **detention/demurrage** incidents arising out of delays caused by product and/or **storage** contractors, **non-DoD/military** activities where lack of action contributes to the **detention/demurrage** for possible claims action. The earner's detention charges arising out of FOB destination delivery product contracts will be forwarded to the appropriate Contracting Officer for payment.

E. LOADING AND RECEIVING CAPABILITIES

1. Military Locations. CONUS and Overseas DFSPS shall report shipping and receiving capabilities IAW volume V, appendix A41 of this manual.

2. Contractor Locations(Suppliers) in CONUS

a. DD Form 2691, Contractor Bulk Liquid Facilities Report, (volume V, appendix A39 of this manual) will be used to obtain loading capabilities from contractor shipping points (refinery or terminal). Contractors are required to complete and submit the form with their offers to DFSC-PZ. The form shall be updated by the contractors as changes occur in shipment capabilities throughout the remainder of the contract period. (OMB No. 0704-0245 applies.) DFSC-PZ shall distribute DD Form 2691 for successful product contracts immediately following award. Distribution will include the DFR in which ordering authority is passed.

b. The DFSC Contracting Officer shall enter the following in the as-of-date-block of the DD Form 2691: "contract expires (date)."

c. Copies of DD Form 2691 are distributed by

DFSC-PZ; the original form is filed in DFSC-PZ and one copy each is distributed to DFSC-OT and the appropriate DFR(s) at the time copies of the contract awards are made.

F. PIPELINES

1. General. The following defines the relationship between DFSC and the Military Services relative to establishing pipeline services for delivering bulk **fuel** to base-level DFSPs. Bulk **fuel** requirements and locations will be analyzed by DFSC to determine the most economical transportation mode. The means of transportation selected shall be that which fulfills DoD requirements at the lowest overall cost from origin to final destination. Base-level DFSPS shall be serviced by:

- a. Connections to existing pipeline.
- b. Connection between DFSPS (intermediate to base-level).
- c. Construction of new service.

2. Military Services Coordination

a. Where it appears advantageous to the Government to consider pipeline **service** to deliver fuel, DFSC shall discuss the proposed pipeline service with the military activities/commands involved. Upon concurrence, DFSC shall require the following data from the Military Services:

(1) Projected requirements for the next 5 years and, if possible, projected use for the military base.

(2) BPWRS required outside the base boundary and the daily delivery quantities required.

(3) A guarantee that easement rights from the installation boundary to the base storage will be granted to the successful bidder, appropriately coordinated with state, Federal, and local authorities.

b. DFSC shall maintain a listing of *carriers* interested in pipeline **connections** and, through MTMC, shall solicit carriers providing **all** pertinent data to obtain a competitive price for this service.

c. If the **military** activity and prospective carriers are unable to agree on easement rights onto the base, DFSC shall attempt to negotiate an acceptable solution to the problem.

d. All related **phases** of pipeline connection

relative to supply, storage, and quality control will be coordinated by DFSC with the military base and its major command,

e. DFSC shall provide guidance to the military activity relative to pipeline proposals and associated service.

f. Bases having pipeline receipt capability shall retain and maintain **sufficient** additional receiving facilities to ensure continuity of supply in the event of interruptions in pipeline service.

3. Pipeline (PL) Negotiations. PL negotiations will be conducted IAW the latest MOU between MTMC and DFSC. The MOU provides guidance to negotiate with carriers for contracts, tenders, and tariffs in obtaining carrier facilities, rate agreements, rules, regulations, and services. Negotiations with carriers will include three separate cost elements: (1) **transportation**, (2) storage, and (3) associated services such as quality surveillance *testing*, truck or rail loading, and additive injection; Generally, pipeline transportation and **breakout** storage will be inclusive in a single rate while services such as truck, rail or loading **and** additive injection will be negotiated with separate and distinct rates. MTMC and DFSC shall coordinate requirements for new or additional services as well as changes to existing services.

4. Pipeline (PL) Operating Agreements

a. DFSC-OT shall provide DFRs with a standard PL operating agreement format and guidelines to negotiate transportation and accounting services, and quality control procedures. The quality control procedures will ensure that all *necessary* precautions and tests are **taken** in delivering quality product to the user,

b. To the extent pipeline carriers will cooperate, DFRs shall develop, negotiate, and maintain PL operating agreements with pipeline carriers in providing movement of DLA-owned products. Annually, DFRs shall review such agreements to ensure **terms/services** remain valid. In instances where a pipeline carrier **refuses** to negotiate a pipeline agreement, the appropriate DFR shall review the company's tender/**tariff** and other company rules **and** regulations for movement of fuel within their system to assess the risk of DFSC doing business with the company. The DFR shall forward a recommendation to DFSC for consideration and possible waiver of the pipeline operating agreement requirement.

5. Funding and Operating Procedures. Reference : chapter 8 of this volume for **funding** and operating procedures for overseas commercial pipelines and CONUS/overseas Government-owned pipelines.

G. BARGE SHIPMENTS

1. CONUS

a. DFRs shall request rating and routing of all commercial barge shipments via coastal, inland, or **intercoastal** waterways from MTMCEA. Shipments will generally be 2,100,000 gallons (50,000 **barrels**/7,950 cubic meters) or less.

b. Oceangoing barges with a capacity of 2,100,000 gallons (50,000 barrels/7,950 cubic meters) or more **will** be arranged by MSC when DFSC tanker scheduling requirement exceeds the **MSC-controlled** fleet capability and oceangoing barge carriers successfully offer against a MSC solicitation.

2. Overseas

a. **CINC-JPOs** shall designate an in-country U.S. military unit in each country or **island** to handle bulk petroleum shipments via military barge and the following types of commercial barge shipments:

(1) Shipments via inland waterways.

(2) Shipments between terminals within a port area not suitable for movement on available MSC controlled vessel fleet.

b. The **CINC-JPO** designated **military** unit must request and receive from DFSC funding via an OA prior to such movement.

c. DFSC shall arrange through MSC for all commercial barge shipments of **DLA-owned** fuel:

(1) From one port area to another (ocean transportation).

(2) Between **MSC-controlled** tankers and shore facilities, and vice versa (upon mutual agreement between DFSC and MSC that this is the appropriate method of loading or discharging fuel).

d. MSC and military units designated by **CINC-JPOs** consistent with paragraphs G.2.a. and G.2.b., above, shall not enter into competition or engage in duplication of services. MSC and designated military units, by mutual agreement, shall designate one

or the other to contract for and perform the functions indicated in paragraphs G.2.a. and G.2.b., above.

H. GBL SHIPMENT REJECTIONS (CONUS). When GBL shipments are rejected or cannot be unloaded, the consignee shall **notify** the appropriate DFR for instructions. The DFR, and the QAR if required, shall determine the course of action to be taken and will so advise the consignee.

I. SAFETY. DFSPS which stock, ship, and receive petroleum products shall comply with Federal, State, and local regulations governing the handling of **hazardous** materials, and comply with guidance in DLAR 4500.3, chapter 33 (see reference index).

J. INLAND TRANSPORTATION OVERSEAS

1. Responsibility. Transportation of bulk petroleum products within overseas theaters will be provided by the agency designated by the CINC-JPOs IAW DoD Directive 4500.9. Inland **transportation** services for **DLA-owned fuel** to area DFSPS and base-level DFSPS shall be provided by such designated agency.

2. Funding

a. Requirements. Overseas commands shall submit estimated annual requirements to DFSC to support obligation of **transportation** expenditures. Each command is required to submit the following information when providing transportation requirements: Origin/destination (by DoDAAC), NSN, quantity, mode “and charges (U. S. dollars). DFSC-O shall determine and submit **quarterly** transportation requirements, for transportation of DLA-owned product, to DFSC-R for tiding. Requirements will include service charges assessed to the Military Services by foreign governments under “government-to-government” agreements for which **DLA/DFAS/DFSC** has payment responsibility.

b. Responsibility. DFSC shall pay for commercial transportation charges when **DLA-bulk fuel** is shipped via commercial carrier on a GBL. Freight warrants or other similar shipping documents may be used when the commercial operator is a foreign government, except those shipments described in subsection L.2., below. DFSC fund citation will be provided to the agency charged with transportation responsibility of DLA-owned product. Activities will fax a copy of each issued GBL/freight warrant to DFSC-OT on a weekly basis. The issuing documents will be batched and faxed under a cover page identifying charges (U. S. dollars) and the total number of GBL/freight warrants being forwarded. The fax will be for-

warded on Monday following the week being reported.

3. Demurrage. Demurrage claims associated with **DFSC-funded** shipments of bulk fuel will be processed IAW **Military** Service directives. Note: **Demurrage** charges shall not be **funded** with **funds** provided on DLA Form 1281, Advice of Obligation Authority, by DFAS-CO/DFSC-RF for overseas transportation costs.

K. MILITARY SEALIFT COMMAND (MSC)

1. Tanker Requirements Forecast

a. Annual - Five-Year Report. DFSC reports long-range forecasts of bulk **fuel** lift requirements to MSC via Tanker Transportation Requirements Report, RCS: **DLA(AR)194(DFSC)**. The **annual** forecast is required approximately 5 months prior to the beginning of the fiscal year lift period. The annual forecast will be updated whenever significant changes in the distribution pattern occur. A 5-year forecast is required 1 month after the annual forecast is reported.

b. Developing Forecasts. DFSC correlates projected product requirements with **future** procurements to determine: (1) requirements that will likely require MSC tanker delivery and (2) the most probable source areas of procurement in each case.

c. Military Services Data Input. The **Military** Services shall report projected per diem vessel requirements for a given period to **DFSC-O**. See volume V, appendix A40 of this manual for reporting **format** and data instructions.

2. Slating Product. Slated bulk fuel requirements for ocean tanker deliveries are submitted to DFSC-O via the **CONUS/Overseas** Bulk Fuel Slates (see chapter 4, section J., of this volume). Cargo and vessel schedules are developed/coordinated by DFSC and **MSC**; logistic units are **notified** of cargoes, arrivals, and departures.

3. Funding. Units who **prepare** slates or requirements for MSC shipments **shall** indicate (by **footnote**) who has **funding** responsibility for cargo or partial cargo that **will** be owned by other than **DFSC**. This data is used to ensure proper entry in the DFSC **lift** report to MSC and subsequent billing **breakout** by MSC.

4. Deadfreight. DFSC and the Military Services may accept deadfreight for operational necessity. DFSC **funds deadfreight if**: (a) MSC tanker nominations for slated cargo are accepted by DFSC or the **Military** Service; nominations will include the tanker cargo

capacity and (b) after acceptance of the **tanker** for full cargo, DFSC or Services reduce the quantity or the supplier, fails to **fulfill** the cargo order which results in deadfreight expense.

5. **Billing Data.** MSC shall report billing data to DFSC and Military Services for transportation on a per diem basis. DFSC shall validate MSC bills for accuracy and cargo **funding** responsibility.

L. FUNDING TRANSPORTATION COSTS

1. DFSC shall fund:

a. Shipments from industry to DFSPS (intermediate or base-level).

b. Shipments between DFSPS.

c. Shipping and related charges assessed by common carriers. See section D., above, for **demurrage/** detention policy. Costs that are not chargeable to DFSC by carriers, such as use of Government switch engines will be **funded** by the Military Services.

d. Transportation costs for less than truckload shipments when the receiver has **insufficient** storage or other valid reasons that preclude receipt of full **truck-**loads.

e. **Transportation** costs for commercial shipment of fuels and lube oils via **tank** truck or barge to Navy/authorized vessels at dockside or at anchor adjacent thereto. Vessels failing to off **load** the total quantity ordered will direct the carrier to return product remaining in the truck or barge to the shipping terminal or other locations designated by the appropriate DFR. GBLs will be issued to support return transportation costs; such costs will be **charged** to the requesting unit or vessel account. NOTE: See paragraph L.2.b., below, for **funding** responsibility for returned fuel (fuel ordered but not received by a Military Semite Activity).

2. Military Services shall fund:

a. Underway replenishment (**UNREP**) shipments.

b. Any fuel ordered but not received for any reason not caused by DFSC or the carrier.

M. UNDERWAY REPLENISHMENT (UNREP)

1. **UNREP** represents fleet oilers or MSC-controlled tankers refueling ship bunkers at sea.

2. **Funding.** Fleet or Type Commands fund **transportation** costs.

N. IN-PORT REPLENISHMENT (INREP)

1. **INREP** represents **MSC-controlled** tankers **refueling** APF ship bunkers (Maritime Prepositioned Ships (**MPS**) and **PREPO** tankers) in port.

2. **Funding:** (a) MSC tankers supplying bunker fuel to MPS vessels are **funded** by MSC and reimbursed by Military Service **components**; (b) DFSC shall **fund/** reimburse MSC for **PREPO** bunker requirements.

O. CONSOLIDATED CARGO (CONSOL)

1. **CONSOL** represents **MSC-controlled** tankers supplying cargo **fuel** to fleet oilers at sea. There are three categories of CONSOLS:

a. **CHARGER LOG IV** - is an opportune **CONSOL** whereby fleet oilers rendezvous with an **MSC-controlled** tanker along the tanker's prearranged routing (load port to designated discharge ports) for **refueling** at sea. Opportune means the cargo (type of product and **quantity**) was not scheduled by the Navy but, circumstances are such that the fleet oiler has an opportunity to use the **MSC tanker**; in such cases, transfer of the contracted or DLA-owned **fuel** must be prearranged/ approved by **DFSC-OI**. If **CHARGER LOG IV** is not prearranged/approved and the circumstance **justify**, an emergency **CONSOL** action may be initiated to fill the requirement (see below).

b. **Scheduled CONSOL** - is a scheduled replenishment at sea where **all** or **part** of the **MSC** tanker load is on board to support U.S. Navy requirements. Usually, fleet units load out at land based **DFSPs**. Delivery of the **fuel** directly to the fleet saves the cost of fleet oilers making round trips to **DFSPs** and may save the cost of resupplying **DFSPs** drawn down by Navy oilers. Scheduled **CONSOLS** shall be requested through **DFSC-O** at least 20 days in advance of the **CONSOL** date.

c. **Emergency CONSOL** - represents a requirement certified by the Navy to be a bona fide emergency which cannot be supplied in any other manner. Emergency **CONSOLS** may be scheduled with **DFSC**, provided they are approved by the Navy Petroleum Office, Cameron Station, VA.

2. **Vessel Daily Cost** - is the per diem rate for the vessel as published by **MSC** that is in effect at the end of the **CONSOL**.

3. Cargo Cycle - term used for billing transportation costs, it is calculated from vessel arrival at first load port of cargo in question to vessel arrival at first load port of the **subsequent** cargo.

4. On-Station-Time -is calculated from the time the **MSC-controlled** tanker arrives at the CONSOL location until the time it is released by the fleet.

5. Funding. DFSC **shall** fund and reimburse MSC for all *or* part of transportation costs in CONSOL **refueling** at sea as follows:

a. CHARGER LOG IV. Tanker diversions of less than 24 hours will be paid for by DFSC. If the tanker is diverted for longer than 24 hours, the Navy shall be charged at the vessel per diem rate for the entire time (including the 24 hours) the tanker is diverted. The number of days the tanker is diverted is defined as the difference between actual tanker transit time from the last load port to the first port of discharge (includes time-on-station performing the CHARGER LOG IV) minus the normal transit time between the last load port and the first discharge port.

b. Scheduled CONSOL. In theory, **CONSOLs** save costs for both DFSC and the Navy; therefore, where the CONSOL tanker is on station for 72 hours or less, each agency shall absorb half the cost of the complete CONSOL cargo cycle. The number of days in the cargo cycle will be calculated IAW subsection 0.3., above. DFSC shall pay **full** per diem for half the number of days and the Navy **shall** pay full per diem for the other half. Additionally, if the CONSOL tanker is required to remain on station for more than 72 hours, each day of additional tanker per diem will be paid by the Navy.

c. PREPO DFSPS (used as CONSOLs). Using **PREPO** tanker to deliver Navy CONSOL requirements allows CONSOLs to be conducted without disrupting other tanker cargo operations; thus, DFSC shall pay the OSD APF per diem rate and the Navy **shall** pay all charges over the APF per diem rate when PREPO tankers are used for this purpose. Using PREPO tankers for CONSOL duties shall be coordinated with the appropriate CINC-JPO and DFSC-O.

d. Emergency CONSOL. DFSC **funds** transportation costs.

e. All request for CONSOLs must include appropriate tiding **documentation**. Copies will be sent to **COMSC and DFSC-OII** prior to scheduled CONSOL date. Cost estimates can be obtained prior to CONSOL from **DFSC-OII**.